



# STATE OF ALABAMA STATE BANKING DEPARTMENT



## OUTLINE FOR CONVERSION FROM A FEDERALLY CHARTERED SAVINGS AND LOAN ASSOCIATION OR SAVINGS BANK TO A STATE-CHARTERED BANK

The following is an outline of the procedure for the conversion of a federal chartered savings and loan association or savings bank to an Alabama state-chartered bank pursuant to Alabama law. The conversion procedure also involves compliance with various federal laws and regulations. This outline is not intended as an exhaustive treatment of the procedure and only is intended to assist those involved with the process. See Ala. Code (1975), § 5-7A-60, et. seq.

1. Pre-organization meeting between the Superintendent and the bank's representatives.
2. Submission of completed application along with the filing fee as prescribed by the Banking Board. See Ala. Code (1975), §5-5A-13. The filing fee currently set by the Banking Board for a conversion is \$7500.
3. Reserve the intended name of the converted bank with the Secretary of State's office. In order to reserve the name, you will need to obtain a letter of no objection for use of the word "bank" and possible use of the word "trust" from the Department. Send a request for this no objection letter to the attention of the Superintendent with a check in the amount of \$100.
4. The board of directors shall approve a written plan of conversion, the application for conversion and shall adopt an authorizing resolution, all by a vote of a majority of all the directors. The plan of conversion shall include a statement of: See Ala. Code (1975), §5-7A-62.
  - a. The proposed organization and management structure of the resulting bank if the application were approved, and the proposed name under which it would do business as a bank;
  - b. The method and time schedule for terminating any activities and disposing of any assets which would not conform to the requirements applicable to state chartered banks;
  - c. The competitive impact of such change, including any effect on the availability of particular financial services in the market area to be served by the resulting bank;

- d. Such financial data as may be required by the superintendent to determine compliance with the reserve and liquidity requirements applicable to the resulting bank;
  - e. Such other information as the Superintendent may require; and
  - f. If the savings institution is a mutual savings institution, shares of which are owned by its members, then the plan of conversion must provide the method and terms for converting the mutual savings institution to a capital stock savings institution provided that such method and terms must comply with and be in accordance with all state and federal laws, procedures and regulations governing the conversion of mutual savings institutions into capital stock institutions.
4. a. Following approval by the board of directors, the plan of conversion, together with the certified copy of the authorizing resolution adopted by the board, and the application for conversion shall be submitted to the superintendent for tentative approval before being submitted to the stockholders or members of the savings institution.
- b. The application for conversion pursuant to this article shall be accompanied by a fee prescribed by the banking board under Section 5-5A-13, payable to the superintendent.
5. The Superintendent shall tentatively approve the plan if the following is found:
- a. The public convenience and advantage would be promoted by the conversion;
  - b. The resulting bank would have an adequate capital structure with regard to its activities and its deposit liabilities would meet the minimum capital requirements for existing state chartered banks under state and federal law; and would meet other applicable state and federal law requirements relating to the safety and soundness of the resulting bank;
  - c. The proposed conversion would not cause a substantially adverse effect on the financial condition of any bank already established in the primary service area;
  - d. The proposed officers and directors have sufficient experience, ability and standing to indicate reasonable promise for successful operation of the resulting bank;
  - e. The proposed name of the resulting bank would not be so similar to that of another bank or other financial institution as to cause confusion; and
  - f. The schedule for termination of any nonconforming activities and disposition of any nonconforming assets is reasonably prompt, and the plan for such termination and disposition does not include any unsafe or unsound practice.

6. In the event the Superintendent conditionally approves the plan of conversion, the plan shall be submitted to the stockholders or members at an annual meeting or at any special meeting called to consider a plan of conversion. Upon a favorable vote of a majority of the total number of votes eligible to be cast, the plan of conversion shall be adopted. Copies of the minutes of this meeting, verified by the affidavit of the secretary or an assistant secretary, shall be filed with the Superintendent within 10 days after the meeting has occurred. Verified copies of the minutes of the meeting shall be presumptive evidence of the holding of such meeting and of the action taken there. Provided the plan of conversion is adopted at the meeting, the stockholders or members shall elect the directors who shall be the directors of the resulting bank. These elected directors must in all respects, both individually and as a group, meet the statutory and regulatory requirements applicable to directors of state chartered banks. The newly elected directors shall then execute new articles of incorporation or amendments to existing articles and two copies of the new bylaws. The directors shall insert in the articles of incorporation the following: "This bank is incorporated by a plan of conversion from a \_\_\_\_\_ (state or federal savings and loan association, etc.)." All directors of the resulting bank shall execute and acknowledge the articles of incorporation and the bylaws.
7.
  - a. In the event the Superintendent disapproves the plan of conversion for any reason, the Superintendent's objections to the plan of conversion shall be issued in writing.
  - b. The applicant shall have a period of 28 days from the date of the Superintendent's written objections to: a) amend the plan of conversion and to resubmit same to the Superintendent for approval; or b) appeal the Superintendent's denial of the plan of conversion in accordance with the provisions of Section 5-5A-8 et seq.
  - c. There shall be no limit on the number of times the plan of conversion may be amended prior to the time the applicant exercises its right of appeal as provided in subdivision (5)b.
  - d. The Superintendent may disapprove the plan of conversion for any number of reasons, including but not limited to, a determination that the plan of conversion does not meet the requirements of any state, federal or other law; that the approval of the plan of conversion would not be in the best interest of the citizens of the State of Alabama or its banking community; that the savings institution is subject to a cease and desist order or other supervisory restriction imposed by any supervisory authority, insurer or guarantor.
8. Upon the adoption of the plan of conversion by the stockholders or members, the institution shall apply to the Federal Deposit Insurance Corporation for a commitment for insurance guaranteeing the deposits of the resulting bank.
9. Upon receipt of written notice of commitment for insurance from the Federal Deposit Insurance Corporation, and further provided all other requirements herein have been met, the Superintendent shall issue to the savings institution his final approval of the

application for conversion and a permit authorizing it to transact business pursuant to applicable law. The plan of conversion shall not take effect until final approval and a permit have been issued by the Superintendent.

10. Except insofar as the Superintendent requires the converting savings institution to terminate certain activities and dispose of certain assets in order to meet the requirements applicable to state chartered banks, upon the conversion of any savings institution into a state chartered bank, the corporate existence of the savings institution shall not terminate, and the resulting bank shall be deemed to be a continuation of the savings institution as converted, and all property of the converted savings institution including its rights, titles and interests in and to all property of whatsoever kind, character or description, whether real, personal or mixed, and things in action and every right, privilege, interest and asset of any conceivable value or benefit, and all obligations, liabilities, charges, liens, encumbrances, judgments, and claims then existing or pertaining to it or which would inure to or against it, shall immediately by operation of law and without the necessity of any conveyance or transfer and without the necessity of any further act or deed remain and be vested in and continue to be the property or obligation of such resulting bank into which the savings institution has converted. Subject to the laws, provisions and regulations applicable to state chartered banks, the resulting bank shall have, hold, enjoy and be obligated the same in its own right as fully and to the same extent as the same was possessed, held, enjoyed and encumbered by the converting savings institution. All pending actions, and other judicial or administrative proceedings to which the converting savings institution is a party shall not be deemed to have abated or to have been discontinued by reason of the conversion, but may be prosecuted to final judgment or order in the same manner as if such conversion had not occurred, and the resulting bank may continue any action in its corporate name as a state chartered bank, and any judgment or order may be entered for or against it in such corporate name. See Ala. Code (1975), §5-7A-63.
11. File with the official or officials designated by the Business corporation laws, the certificate from the Secretary of State reserving the name of the proposed corporation, the articles of incorporation, and the certificate of the Superintendent authorizing the filing of the proposed articles of incorporation. See Ala. Code (1975), §§ 5-5A-6, 5-5A-7, 10-2B-1.20, and 10-2B-1.25. A no objection letter shall be obtained from this office concerning the word “Bank” and its use in the name reserved with the Secretary of State’s office. A check in the amount \$100 payable to the Alabama Banking Department shall be sent with a letter seeking no objection for the name. The answer shall be copied directly to the Secretary of State’s office.
  - a. The official will endorse on the articles of incorporation and on each of the copies the word “filed” and the hour, day, month and year of the filing.
  - b. the official will file the articles of incorporation in his office and certify the copies.

- c. Submit to the Superintendent a certified copy of the executed and recorded articles of incorporation which should reflect the fact of recordation.
- 12. Upon completion of all of the above requisites, the Superintendent will file and record the original permit to engage in banking business in a book kept by him for that purpose.
- 13. The Superintendent will transmit a certified copy of the permit to the bank. No bank shall engage in the banking business until it has received the permit to transact a banking business.
- 14. File the certified copy of the permit to transact business as a bank with the official with whom the articles of incorporation were filed.